

Message Text

CONFIDENTIAL

PAGE 01 BOGOTA 05949 280637Z

51

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 INT-05 COME-00 SP-02 L-03 CIAE-00

INR-07 NSAE-00 TRSE-00 OMB-01 CIEP-01 SS-15 EUR-12

EA-06 AID-05 OPIC-03 NSC-05 /083 W

----- 100173

R 271442Z JUN 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 9384

C O N F I D E N T I A L BOGOTA 5949

EO 11652: GDS

TAGS: EMIN, CO

SUBJ: CONTINGENCY POLICY REGARDING NICKEL AND COAL PROJECTS

REF: BOGOTA A-7, JAN 31, 75

1. THE REFAIRGRAM OUTLINED THE STATUS OF THE CERRO MATOSO NICKEL AND EL CERREJON COAL PROJECTS INVOLVING HANNA MINING AND PEABODY COAL RESPECTIVELY. FEW SIGNIFICANT DEVELOPMENTS (OUTLINED BELOW) HAVE TRANSPIRED SINCE THAT TIME AND PRESENT TIMETABLES STILL SUGGEST A NEGOTIATING CLIMAX AROUND THE END OF FIRST QUARTER 1976. AS THE DEPARTMENT IS AWARE, THESE PROJECTS, PARTICULARLY CERRO MATOSO, HAVE SUFFERED INORDINATE DELAY ATTRIBUTABLE TO INACTIVITY AND INTRANSIGENCE ON BOTH SIDES. AS A RESULT, THE PROJECTS HAVE LONG HELD THE POSSIBILITY OF HAVING DISRUPTIVE EFFECTS ON US-COLOMBIAN RELATIONS EVEN THOUGH THE US GOVT IS NOT DIRECTLY INVOLVED. THIS MESSAGE ATTEMPTS TO REVIEW POSSIBLE DIFFICULTIES IN SUCCESSFUL COMPLETION OF SUCH NEGOTIATIONS AND IMPLICATIONS FOR US POLICY AND KU-RAYOMBIAN RELATIONS.

A. RECENT DEVELOPMENTS - HANNA IS PRESENTLY PROCEEDING, WITH THE BECHTEL CORPORATION, IN PILOT PLANT CONSTRUCTION AND HAS BEGUN DISCUSSIONS OF FINANCING WITH PRIVATE SOURCES IN THE US, CANADA, EUROPE AND JAPAN AS WELL AS WITH THE IBRD. THE LOCAL REPRESENTATIVE INDICATES THAT NO MAJOR PROBLEMS ARE EXPECTED UNTIL NEXT YEAR AT WHICH TIME HANNA WILL HAVE TO DETERMINE

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BOGOTA 05949 280637Z

WHETHER THE PROJECTED RATE OF RETURN WILL BE SUFFICIENT TO

MERIT THE HEAVY INVESTMENT (HANNA'S SHARE WOULD BE AT LEAST 150 MILLION DOLS). IF NOT, A FURTHER REVISION OF ITS CONTRACT WITH THE GOC WILL PROBABLY BE SOUGHT. IN THE MEANTIME, LITTLE PROGRESS IS APPARENTLY BEING MADE ON REGISTRATION OF INVESTMENTS ALREADY MADE, AND THE COMPANY HAS BEEN GIVEN A ONE MILLION DOL TAX BILL FOR 1972 DESPITE NO INCOME. THIS TAX ACCOUNT CAN PROBABLY BE VOIDED BUT THE COMPANY FINDS THE WHOLE PROCESS EXASPERATING.

PEABODY'S POSITION IS LESS CLEAR SINCE ITS PRESENT CONTRACT IS OPEN TO QUESTION AND, AT A MINIMUM, WILL REQUIRE FURTHER NEGOTIATION OF KEY DETAILS SUCH AS REMITTANCE LEVELS. A NEW GOC COAL COMPANY HAS BEEN FORMED INVOLVING A CONGLOMERATE OF INTERESTED (AND OFTEN COMPETING AGENCIES) AND IT IS STILL UNCERTAIN WHETHER THIS NEW ENTITY WILL BE ABLE TO FUNCTION IN AN AIRWHERE NEAR EFFECTIVE MANNER. PEABODY REPS ARE SCHEDULED TO INITIATE DISCUSSIONS WITH THENEW COMPANY IN LATE JUNE OR EARLY JULY.

B. GOC POSITION - GOC OFFICIALS DIRECTLY INVOLVED IN NEGOTIATIONS WITH HANNA AND PEABODY ARE GENERALLY CONSIDERED PRAGMATIC AND UNDERSTANDING OF THE PROBLEMS INVOLVED. THE SAME APPEARS TO BE TRUE FOR PRESIDENT LOPEZ, ALTHOUGH HE HAS A KEEN EYE OUT FOR ANY POLITICAL DIFFICULTIES. THE WEAK LINK IN THE CHAIN IS THE MINISTER OF MINES WHO THUS FAR HAS PROVEN INEPT IN GETTING ANY ACTION OUT OF THE BUREAUCRATIC MACHINERY AND WHO AT TIMES APPEARS TO LACK ANY COMPREHENSIVE UNDERSTANDING OF ENERGY AND MINERAL ACTIVITIES.

IF NEGOTIATIONS ON THE TWO PROJECTS BREAK DOWN, THIS WOULD RAISE THE ISSUE OF FURTHER DELAY IN AREAS WHICH HAVE ALREADY BEEN THE SUBJECT OF SHARP POLITICAL CRITICISM. THE POLITICAL IMPLICATIONS OF SUCH A PROBLEM COULD WELL BE SO GREAT THAT THE LOPEZ ADMINISTRATION WILL FEEL THAT IT NOT ONLY CANNOT MAKE FURTHER CONCESSIONS TO THE FOREIGN COMPANIES BUT ALSO MUST SHOW ITS DISFAVOR THROUGH SOME FORM OF REPRISAL IN OTHER AREAS - PERHAPS A SIGNIFICANT TOUGHENING OF ITS POSITIONS ON OTHER FOREIGN INVESTMENT. THIS POSSIBILITY MAY BE SOMEWHAT GREATER IF THE PRESENT FINANCE MIN IS STILL IN OFFICE GIVEN HIS VIEWS ON FOREIGN INVESTMENT AND HIS APPARENT INFLUENCE IN ECONOMIC POLICY. (THE PRESENT MIN OF MINES IS ALSO BELIEVED TO BE GREATLY INFLUENCED BY THE MIN OF FINANCE.) IF HANNA AND PEABODY PULL OUT (OR ARE PUSHED OUT) OF

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BOGOTA 05949 280637Z

THE PROJECTS, AN ADDITIONAL DISPUTE IS PROBABLE REGARDING REFUND OF CAPITAL INVESTED TO DATE. THE EMB IS BY NO MEANS PREDICTING SUCH AN EVENTUALITY BUT MERELY PROJECTING A WORST-CASE DEVELOPMENT.

C. POSSIBLE USG ACTIONS - SINCE THE USG HAS NO ACTIVE ROLE IN THE ONGOING NEGOTIATIONS BETWEEN TWO PRIVATE US FIRMS AND THE GOC, OUR ABILITY TO PREVENT DEVELOPMENTS DETRIMENTAL TO US INTERESTS ARE QUITE LIMITED. IN MEANTIME, HOWEVER, WE WILL MONITOR THE

SITUATION AS CLOSELY AS POSSIBLE. OUR RELATIONS NOW THE LOCAL REPS OF BOTH FIRMS ARE EXCELLENT - ALTHOUGH THE PEABODY REP DOES NOT HAVE SO ACTIVE A ROLE AS DOES THAT OF HANNA. PEABODY OFFICIALS CALLED ON THE EMB LAST YEAR BUT HAVE SINCE MADE SEVERAL VISITS WHICH ONLY COME TO THE ATTENTION OF THE EMB AFTER THEIR DEPARTURE. AN EFFORT WILL BE MADE DURING THE UPCOMING VISIT TO EMPHASIZE OUR INTEREST IN BEING KEPT INFORMED OF GENERAL NEGOTIATION STATUS. FURTHERMORE, WE MAY WANT TO SUGGEST DEPARTMENT DISCUSSIONS WITH COMPANY PRINCIPALS IF SERIOUS DIFFICULTIES ARISE. THE EMB MAY FIND IT ADVISABLE TO STRESS TO BOTH SIDES, WHILE MAINTAINING A NEUTRAL POSITION, OUR INTEREST IN A MUTUALLY ACCEPTABLE SOLUTION. SIMILAR ACTION MIGHT BE CALLED FOR WITH PEABODY AND EXXON IF THEIR PRESENT COMPETITION BECOMES EXCESSIVELY DISRUPTIVE. WE WILL ALSO BE ALERT TO THE POSSIBILITY THAT INADEQUATE DATA MAY BE REACHING PRESIDENT LOPEZ AS THE ULTIMATE DECISION-MAKER. OTHER STEPS, WHICH WE ARE CERTAINLY NOT PRESENTLY PROPOSING BUT WHICH MIGHT LATER BE CONSIDERED, WOULD BE THE PROMOTION OF FAVORABLE FINANCING TERMS WITH THE IBRD AND IDB.

2. WHILE THE NICKEL AND COAL PROJECTS PRESENT NO IMMEDIATE PROBLEMS FOR US-COL RELATIONS BOTH THE EMB AND THE DEPT SHOULD BE ALERT TO THE POSSIBILITY THAT SUCH PROBLEMS MAY DEVELOP IN THE NEAR FUTURE.

VAKY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NICKEL, MINING INDUSTRY, COAL MINING, FOREIGN INVESTMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BOGOTA05949
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750224-0919
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975067/aaaaafrb.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BOGOTA A-7, 75 JAN 31, 75 75
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONTINGENCY POLICY REGARDING NICKEL AND COAL PROJECTS
TAGS: EMIN, EINV, CO, US, HANNA MINNG CO, PEABODY COAL CO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006